

Exhibit B
USPAP (excerpts)

2014-2015 EDITION

UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

2014-2015
USPAP

PLUS

Guidance from the Appraisal Standards Board
+ USPAP ADVISORY OPINIONS
+ USPAP FREQUENTLY ASKED QUESTIONS (FAQ)

electronic edition

Effective January 1, 2014
through December 31, 2015

APPRAISAL STANDARDS BOARD



THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications

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*Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications*

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EFFECTIVE:

**January 1, 2014 through
December 31, 2015**

COMPETENCY RULE

COMPETENCY RULE

An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary competency to perform the assignment; or (3) decline or withdraw from the assignment. In all cases, the appraiser must perform competently when completing the assignment.

Being Competent

The appraiser must determine, prior to accepting an assignment, that he or she can perform the assignment competently. Competency requires:

1. the ability to properly identify the problem to be addressed; and
2. the knowledge and experience to complete the assignment competently; and
3. recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.

Comment: Competency may apply to factors such as, but not limited to, an appraiser's familiarity with a specific type of property or asset, a market, a geographic area, an intended use, specific laws and regulations, or an analytical method. If such a factor is necessary for an appraiser to develop credible assignment results, the appraiser is responsible for having the competency to address that factor or for following the steps outlined below to satisfy this COMPETENCY RULE.

For assignments with retrospective opinions and conclusions, the appraiser must meet the requirements of this COMPETENCY RULE at the time of the assignment, rather than the effective date.

Acquiring Competency

If an appraiser determines he or she is not competent prior to accepting an assignment, the appraiser must:

1. disclose the lack of knowledge and/or experience to the client before accepting the assignment;
2. take all steps necessary or appropriate to complete the assignment competently; and
3. describe, in the report, the lack of knowledge and/or experience and the steps taken to complete the assignment competently.

Comment: Competency can be acquired in various ways, including, but not limited to, personal study by the appraiser, association with an appraiser reasonably believed to have the necessary knowledge and/or experience, or retention of others who possess the necessary knowledge and/or experience.

In an assignment where geographic competency is necessary, an appraiser who is not familiar with the relevant market characteristics must acquire an understanding necessary to produce credible assignment results for the specific property type and market involved.

When facts or conditions are discovered during the course of an assignment that cause an appraiser to determine, at that time, that he or she lacks the required knowledge and experience to complete the assignment competently, the appraiser must:

1. notify the client, and
2. take all steps necessary or appropriate to complete the assignment competently, and

COMPETENCY RULE

382 3. describe, in the report, the lack of knowledge and/or experience and the steps taken to complete
383 the assignment competently.

Lack of Competency

385 If the assignment cannot be completed competently, the appraiser must decline or withdraw from the
386 assignment.

1143 **STANDARD 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING**

1144 **In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those**
 1145 **recognized methods and techniques necessary to produce and communicate credible mass appraisals.**

1146 Comment: STANDARD 6 applies to all mass appraisals of real or personal property
 1147 regardless of the purpose or use of such appraisals.³⁴ STANDARD 6 is directed toward the
 1148 substantive aspects of developing and communicating credible analyses, opinions, and
 1149 conclusions in the mass appraisal of properties. Mass appraisals can be prepared with or
 1150 without computer assistance. The reporting and jurisdictional exceptions applicable to public
 1151 mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for
 1152 other purposes.

1153 A mass appraisal includes:

- 1154 1) identifying properties to be appraised;
- 1155 2) defining market area of consistent behavior that applies to properties;
- 1156 3) identifying characteristics (supply and demand) that affect the creation of value in
 1157 that market area;
- 1158 4) developing a model structure that reflects the relationship among the characteristics
 1159 affecting value in the market area;
- 1160 5) calibrating the model structure to determine the contribution of the individual
 1161 characteristics affecting value;
- 1162 6) applying the conclusions reflected in the model to the characteristics of the
 1163 property(ies) being appraised; and
- 1164 7) reviewing the mass appraisal results.

1165 The JURISDICTIONAL EXCEPTION RULE may apply to several sections of STANDARD
 1166 6 because ad valorem tax administration is subject to various state, county, and municipal
 1167 laws.

1168 **Standards Rule 6-1**

1169 **In developing a mass appraisal, an appraiser must:**

- 1170 (a) **be aware of, understand, and correctly employ those recognized methods and techniques**
 1171 **necessary to produce a credible mass appraisal;**

1172 Comment: Mass appraisal provides for a systematic approach and uniform application of
 1173 appraisal methods and techniques to obtain estimates of value that allow for statistical review
 1174 and analysis of results.

1175 This requirement recognizes that the principle of change continues to affect the manner in
 1176 which appraisers perform mass appraisals. Changes and developments in the real property and
 1177 personal property fields have a substantial impact on the appraisal profession.

1178 To keep abreast of these changes and developments, the appraisal profession is constantly
 1179 reviewing and revising appraisal methods and techniques and devising new methods and
 1180 techniques to meet new circumstances. For this reason it is not sufficient for appraisers to
 1181 simply maintain the skills and the knowledge they possess when they become appraisers.

³⁴ See Advisory Opinion 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*.

STANDARD 6

1182 Each appraiser must continuously improve his or her skills to remain proficient in mass
1183 appraisal.

1184 (b) not commit a substantial error of omission or commission that significantly affects a mass
1185 appraisal; and

1186 Comment: An appraiser must use sufficient care to avoid errors that would significantly affect
1187 his or her opinions and conclusions. Diligence is required to identify and analyze the factors,
1188 conditions, data, and other information that would have a significant effect on the credibility
1189 of the assignment results.

1190 (c) not render a mass appraisal in a careless or negligent manner.

1191 Comment: Perfection is impossible to attain, and competence does not require perfection.
1192 However, an appraiser must not render appraisal services in a careless or negligent manner.
1193 This Standards Rule requires an appraiser to use due diligence and due care.

1194 Standards Rule 6-2

1195 In developing a mass appraisal, an appraiser must:

1196 (a) identify the client and other intended users;³⁵

1197 (b) identify the intended use of the appraisal;³⁶

1198 Comment: An appraiser must not allow the intended use of an assignment or a client's objectives to
1199 cause the assignment results to be biased.

1200 (c) identify the type and definition of value, and, if the value opinion to be developed is market
1201 value, ascertain whether the value is to be the most probable price:

1202 (i) in terms of cash; or

1203 (ii) in terms of financial arrangements equivalent to cash; or

1204 (iii) in such other terms as may be precisely defined; and

1205 (iv) if the opinion of value is based on non-market financing or financing with unusual
1206 conditions or incentives, the terms of such financing must be clearly identified and the
1207 appraiser's opinion of their contributions to or negative influence on value must be
1208 developed by analysis of relevant market data;

1209 Comment: For certain types of appraisal assignments in which a legal definition of market
1210 value has been established and takes precedence, the JURISDICTIONAL EXCEPTION
1211 RULE may apply.

1212 (d) identify the effective date of the appraisal;³⁷

³⁵ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

³⁶ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

³⁷ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

- 1213 (e) **identify the characteristics of the properties that are relevant to the type and definition of value**
 1214 **and intended use,³⁸ including:**
- 1215 (i) **the group with which a property is identified according to similar market influence;**
 1216 (ii) **the appropriate market area and time frame relative to the property being valued; and**
 1217 (iii) **their location and physical, legal, and economic characteristics;**
- 1218 Comment: The properties must be identified in general terms, and each individual property in
 1219 the universe must be identified, with the information on its identity stored or referenced in its
 1220 property record.
- 1221 When appraising proposed improvements, an appraiser must examine and have available for
 1222 future examination, plans, specifications, or other documentation sufficient to identify the
 1223 extent and character of the proposed improvements.³⁹
- 1224 Ordinarily, proposed improvements are not appraised for ad valorem tax. Appraisers,
 1225 however, are sometimes asked to provide opinions of value of proposed improvements so that
 1226 developers can estimate future property tax burdens. Sometimes units in condominiums and
 1227 planned unit developments are sold with an interest in un-built community property, the pro
 1228 rata value of which, if any, must be considered in the analysis of sales data.
- 1229 (f) **identify the characteristics of the market that are relevant to the purpose and intended use of the**
 1230 **mass appraisal including:**
- 1231 (i) **location of the market area;**
 1232 (ii) **physical, legal, and economic attributes;**
 1233 (iii) **time frame of market activity; and**
 1234 (iv) **property interests reflected in the market;**
- 1235 (g) **in appraising real property or personal property:**
- 1236 (i) **identify the appropriate market area and time frame relative to the property being**
 1237 **valued;**
- 1238 (ii) **when the subject is real property, identify and consider any personal property, trade**
 1239 **fixtures, or intangibles that are not real property but are included in the appraisal;**
- 1240 (iii) **when the subject is personal property, identify and consider any real property or**
 1241 **intangibles that are not personal property but are included in the appraisal;**
- 1242 (iv) **identify known easements, restrictions, encumbrances, leases, reservations, covenants,**
 1243 **contracts, declarations, special assessments, ordinances, or other items of similar nature;**
 1244 **and**

³⁸ See Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*, if applicable.

³⁹ See Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*, if applicable.

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- 1245 (v) identify and analyze whether an appraised fractional interest, physical segment or
1246 partial holding contributes pro rata to the value of the whole;

1247 Comment: The above requirements do not obligate the appraiser to value the whole
1248 when the subject of the appraisal is a fractional interest, physical segment, or a
1249 partial holding. However, if the value of the whole is not identified, the appraisal
1250 must clearly reflect that the value of the property being appraised cannot be used to
1251 develop the value opinion of the whole by mathematical extension.

- 1252 (h) analyze the relevant economic conditions at the time of the valuation, including market
1253 acceptability of the property and supply, demand, scarcity, or rarity;

- 1254 (i) identify any extraordinary assumptions and any hypothetical conditions necessary in the
1255 assignment; and

1256 Comment: An extraordinary assumption may be used in an assignment only if:

- 1257 • it is required to properly develop credible opinions and conclusions;
1258 • the appraiser has a reasonable basis for the extraordinary assumption;
1259 • use of the extraordinary assumption results in a credible analysis; and
1260 • the appraiser complies with the disclosure requirements set forth in USPAP for
1261 extraordinary assumptions.

1262 A hypothetical condition may be used in an assignment only if:

- 1263 • use of the hypothetical condition is clearly required for legal purposes, for purposes
1264 of reasonable analysis, or for purposes of comparison;
1265 • use of the hypothetical condition results in a credible analysis; and
1266 • the appraiser complies with the disclosure requirements set forth in USPAP for
1267 hypothetical conditions.

- 1268 (j) determine the scope of work necessary to produce credible assignment results in accordance with
1269 the SCOPE OF WORK RULE.⁴⁰

1270 Standards Rule 6-3

1271 **When necessary for credible assignment results, an appraiser must:**

- 1272 (a) in appraising real property, identify and analyze the effect on use and value of the following
1273 factors: existing land use regulations, reasonably probable modifications of such regulations,
1274 economic supply and demand, the physical adaptability of the real estate, neighborhood trends,
1275 and highest and best use of the real estate; and

1276 Comment: This requirement sets forth a list of factors that affect use and value. In considering
1277 neighborhood trends, an appraiser must avoid stereotyped or biased assumptions relating to
1278 race, age, color, gender, or national origin or an assumption that race, ethnic, or religious
1279 homogeneity is necessary to maximize value in a neighborhood. Further, an appraiser must
1280 avoid making an unsupported assumption or premise about neighborhood decline, effective
1281 age, and remaining life. In considering highest and best use, an appraiser must develop the
1282 concept to the extent required for a proper solution to the appraisal problem.

⁴⁰ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

- 1283 (b) in appraising personal property: identify and analyze the effects on use and value of industry
 1284 trends, value-in-use, and trade level of personal property. Where applicable, analyze the current
 1285 use and alternative uses to encompass what is profitable, legal, and physically possible, as
 1286 relevant to the type and definition of value and intended use of the appraisal. Personal property
 1287 has several measurable marketplaces; therefore, the appraiser must define and analyze the
 1288 appropriate market consistent with the type and definition of value.

1289 Comment: The appraiser must recognize that there are distinct levels of trade and each may
 1290 generate its own data. For example, a property may have a different value at a wholesale level
 1291 of trade, a retail level of trade, or under various auction conditions. Therefore, the appraiser
 1292 must analyze the subject property within the correct market context.

1293 **Standards Rule 6-4**

1294 In developing a mass appraisal, an appraiser must:

- 1295 (a) identify the appropriate procedures and market information required to perform the appraisal,
 1296 including all physical, functional, and external market factors as they may affect the appraisal;

1297 Comment: Such efforts customarily include the development of standardized data collection
 1298 forms, procedures, and training materials that are used uniformly on the universe of properties
 1299 under consideration.

- 1300 (b) employ recognized techniques for specifying property valuation models; and

1301 Comment: The formal development of a model in a statement or equation is called model
 1302 specification. Mass appraisers must develop mathematical models that, with reasonable
 1303 accuracy, represent the relationship between property value and supply and demand factors, as
 1304 represented by quantitative and qualitative property characteristics. The models may be
 1305 specified using the cost, sales comparison, or income approaches to value. The specification
 1306 format may be tabular, mathematical, linear, nonlinear, or any other structure suitable for
 1307 representing the observable property characteristics. Appropriate approaches must be used in
 1308 appraising a class of properties. The concept of recognized techniques applies to both real and
 1309 personal property valuation models.

- 1310 (c) employ recognized techniques for calibrating mass appraisal models.

1311 Comment: Calibration refers to the process of analyzing sets of property and market data to
 1312 determine the specific parameters of a model. The table entries in a cost manual are examples
 1313 of calibrated parameters, as well as the coefficients in a linear or nonlinear model. Models
 1314 must be calibrated using recognized techniques, including, but not limited to, multiple linear
 1315 regression, nonlinear regression, and adaptive estimation.

1316 **Standards Rule 6-5**

1317 In developing a mass appraisal, when necessary for credible assignment results, an appraiser must:

- 1318 (a) collect, verify, and analyze such data as are necessary and appropriate to develop:
 1319 (i) the cost new of the improvements;
 1320 (ii) accrued depreciation;
 1321 (iii) value of the land by sales of comparable properties;

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- 1322 (iv) value of the property by sales of comparable properties;
- 1323 (v) value by capitalization of income or potential earnings - i.e., rentals, expenses, interest
- 1324 rates, capitalization rates, and vacancy data;

1325 Comment: This Standards Rule requires appraisers engaged in mass appraisal to take

1326 reasonable steps to ensure that the quantity and quality of the factual data that are collected

1327 are sufficient to produce credible appraisals. For example, in real property, where applicable

1328 and feasible, systems for routinely collecting and maintaining ownership, geographic, sales,

1329 income and expense, cost, and property characteristics data must be established. Geographic

1330 data must be contained in as complete a set of cadastral maps as possible, compiled according

1331 to current standards of detail and accuracy. Sales data must be collected, confirmed, screened,

1332 adjusted, and filed according to current standards of practice. The sales file must contain, for

1333 each sale, property characteristics data that are contemporaneous with the date of sale.

1334 Property characteristics data must be appropriate and relevant to the mass appraisal models

1335 being used. The property characteristics data file must contain data contemporaneous with

1336 the date of appraisal including historical data on sales, where appropriate and available. The

1337 data collection program must incorporate a quality control program, including checks and

1338 audits of the data to ensure current and consistent records.

- 1339 (b) base estimates of capitalization rates and projections of future rental rates and/or potential
- 1340 earnings capacity, expenses, interest rates, and vacancy rates on reasonable and appropriate
- 1341 evidence;⁴¹

1342 Comment: This requirement calls for an appraiser, in developing income and expense

1343 statements and cash flow projections, to weigh historical information and trends, current

1344 market factors affecting such trends, and reasonably anticipated events, such as competition

1345 from developments either planned or under construction.

- 1346 (c) identify and, as applicable, analyze terms and conditions of any available leases; and
- 1347 (d) identify the need for and extent of any physical inspection.⁴²

1348 Standards Rule 6-6

1349 **When necessary for credible assignment results in applying a calibrated mass appraisal model an**

1350 **appraiser must:**

- 1351 (a) value improved parcels by recognized methods or techniques based on the cost approach, the
- 1352 sales comparison approach, and income approach;
- 1353 (b) value sites by recognized methods or techniques; such techniques include but are not limited to
- 1354 the sales comparison approach, allocation method, abstraction method, capitalization of ground
- 1355 rent, and land residual technique;
- 1356 (c) when developing the value of a leased fee estate or a leasehold estate, analyze the effect on value,
- 1357 if any, of the terms and conditions of the lease;

1358 Comment: In ad valorem taxation the appraiser may be required by rules or law to appraise

1359 the property as if in fee simple, as though unencumbered by existing leases. In such cases,

⁴¹ See Statement on Appraisal Standards No. 2, *Discounted Cash Flow Analysis*.

⁴² See Advisory Opinion 2, *Inspection of Subject Property*.

1360 market rent would be used in the appraisal, ignoring the effect of the individual, actual
1361 contract rents.

1362 (d) analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or
1363 component parts of a property; the value of the whole must not be developed by adding together
1364 the individual values of the various parcels, divided interests, or component parts; and

1365 Comment: When the value of the whole has been established and the appraiser seeks to value
1366 a part, the value of any such part must be tested by reference to appropriate market data and
1367 supported by an appropriate analysis of such data.

1368 (e) when analyzing anticipated public or private improvements, located on or off the site, analyze
1369 the effect on value, if any, of such anticipated improvements to the extent they are reflected in
1370 market actions.

1371 **Standards Rule 6-7**

1372 **In reconciling a mass appraisal an appraiser must:**

1373 (a) reconcile the quality and quantity of data available and analyzed within the approaches used and
1374 the applicability and relevance of the approaches, methods and techniques used; and

1375 (b) employ recognized mass appraisal testing procedures and techniques to ensure that standards of
1376 accuracy are maintained.

1377 Comment: It is implicit in mass appraisal that, even when properly specified and calibrated
1378 mass appraisal models are used, some individual value conclusions will not meet standards of
1379 reasonableness, consistency, and accuracy. However, appraisers engaged in mass appraisal
1380 have a professional responsibility to ensure that, on an overall basis, models produce value
1381 conclusions that meet attainable standards of accuracy. This responsibility requires appraisers
1382 to evaluate the performance of models, using techniques that may include but are not limited
1383 to, goodness-of-fit statistics, and model performance statistics such as appraisal-to-sale ratio
1384 studies, evaluation of hold-out samples, or analysis of residuals.

1385 **Standards Rule 6-8**

1386 **A written report of a mass appraisal must clearly communicate the elements, results, opinions, and value**
1387 **conclusions of the appraisal.**

1388 **Each written report of a mass appraisal must:**

1389 (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;

1390 (b) contain sufficient information to enable the intended users of the appraisal to understand the
1391 report properly;

1392 Comment: Documentation for a mass appraisal for ad valorem taxation may be in the form of
1393 (1) property records, (2) sales ratios and other statistical studies, (3) appraisal manuals and
1394 documentation, (4) market studies, (5) model building documentation, (6) regulations, (7)
1395 statutes, and (8) other acceptable forms.

1396 (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical
1397 conditions, and limiting conditions used in the assignment;

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1398 Comment: The report must clearly and conspicuously:

- 1399 • state all extraordinary assumptions and hypothetical conditions; and
1400 • state that their use might have affected the assignment results.

1401 (d) state the identity of the client and any intended users, by name or type;⁴³

1402 (e) state the intended use of the appraisal;⁴⁴

1403 (f) disclose any assumptions or limiting conditions that result in deviation from recognized methods
1404 and techniques or that affect analyses, opinions, and conclusions;

1405 (g) set forth the effective date of the appraisal and the date of the report;

1406 Comment: In ad valorem taxation the effective date of the appraisal may be prescribed by law.
1407 If no effective date is prescribed by law, the effective date of the appraisal, if not stated, is
1408 presumed to be contemporaneous with the data and appraisal conclusions.

1409 The effective date of the appraisal establishes the context for the value opinion, while the date
1410 of the report indicates whether the perspective of the appraiser on the market and property as
1411 of the effective date of the appraisal was prospective, current, or retrospective.⁴⁵

1412 (h) state the type and definition of value and cite the source of the definition;

1413 Comment: Stating the type and definition of value also requires any comments needed to
1414 clearly indicate to intended users how the definition is being applied.⁴⁶

1415 When reporting an opinion of market value, state whether the opinion of value is:

- 1416 • In terms of cash or of financing terms equivalent to cash; or
1417 • Based on non-market financing with unusual conditions or incentives.

1418 When an opinion of market value is not in terms of cash or based on financing terms
1419 equivalent to cash, summarize the terms of such financing and explain their contributions to
1420 or negative influence on value.

1421 (i) identify the properties appraised including the property rights;

1422 Comment: The report documents the sources for location, describing and listing the property.
1423 When applicable, include references to legal descriptions, addresses, parcel identifiers,
1424 photos, and building sketches. In mass appraisal this information is often included in property
1425 records. When the property rights to be appraised are specified in a statute or court ruling, the
1426 law must be referenced.

⁴³ See Statement on Appraisal Standards No. 9, *Identification of the Intended Use and Intended Users*.

⁴⁴ See Statement on Appraisal Standards No. 9, *Identification of the Intended Use and Intended Users*.

⁴⁵ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

⁴⁶ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*.

- 1427 (j) describe the scope of work used to develop the appraisal;⁴⁷ exclusion of the sales comparison
1428 approach, cost approach, or income approach must be explained;

1429 Comment: Because intended users' reliance on an appraisal may be affected by the scope of
1430 work, the report must enable them to be properly informed and not misled. Sufficient
1431 information includes disclosure of research and analyses performed and might also include
1432 disclosure of research and analyses not performed.

1433 When any portion of the work involves significant mass appraisal assistance, the appraiser
1434 must describe the extent of that assistance. The signing appraiser must also state the name(s)
1435 of those providing the significant mass appraisal assistance in the certification, in accordance
1436 with Standards Rule 6-9.⁴⁸

- 1437 (k) describe and justify the model specification(s) considered, data requirements, and the model(s)
1438 chosen;

1439 Comment: The appraiser must provide sufficient information to enable the client and
1440 intended users to have confidence that the process and procedures used conform to accepted
1441 methods and result in credible value conclusions. In the case of mass appraisal for ad valorem
1442 taxation, stability and accuracy are important to the credibility of value opinions. The report
1443 must include a discussion of the rationale for each model, the calibration techniques to be
1444 used, and the performance measures to be used.

- 1445 (l) describe the procedure for collecting, validating, and reporting data;

1446 Comment: The report must describe the sources of data and the data collection and validation
1447 processes. Reference to detailed data collection manuals must be made, as appropriate,
1448 including where they may be found for inspection.

- 1449 (m) describe calibration methods considered and chosen, including the mathematical form of the
1450 final model(s); describe how value conclusions were reviewed; and, if necessary, describe the
1451 availability of individual value conclusions;

- 1452 (n) when an opinion of highest and best use, or the appropriate market or market level was
1453 developed, discuss how that opinion was determined;

1454 Comment: The mass appraisal report must reference case law, statute, or public policy that
1455 describes highest and best use requirements. When actual use is the requirement, the report
1456 must discuss how use-value opinions were developed. The appraiser's reasoning in support of
1457 the highest and best use opinion must be provided in the depth and detail required by its
1458 significance to the appraisal.

- 1459 (o) identify the appraisal performance tests used and set forth the performance measures attained;

- 1460 (p) describe the reconciliation performed, in accordance with Standards Rule 6-7; and

- 1461 (q) include a signed certification in accordance with Standards Rule 6-9.

⁴⁷ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁴⁸ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

STANDARD 6

Standards Rule 6-9

Each written mass appraisal report must contain a signed certification that is similar in content to the following form:

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest with respect to the parties involved.
- I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not) made a personal inspection of the properties that are the subject of this report. (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)⁴⁹
- no one provided significant mass appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant mass appraisal assistance must be stated.)

Comment: The above certification is not intended to disturb an elected or appointed assessor's work plans or oaths of office. A signed certification is an integral part of the appraisal report. An appraiser, who signs any part of the mass appraisal report, including a letter of transmittal, must also sign this certification.

In an assignment that includes only assignment results developed by the real property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes personal property assignment results not developed by the real property appraiser(s), any real property appraiser(s) who signs a certification accepts full responsibility for the real property elements of the certification, for the real property assignment results, and for the real property contents of the appraisal report.

In an assignment that includes only assignment results developed by the personal property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes real property assignment results not developed by the

⁴⁹ See Advisory Opinion 2, *Inspection of Subject Property*.

STANDARD 6

1508 personal property appraiser(s), any personal property appraiser(s) who signs a certification
1509 accepts full responsibility for the personal property elements of the certification, for the
1510 personal property assignment results, and for the personal property contents of the appraisal
1511 report.

1512 When a signing appraiser(s) has relied on work done by appraisers and others who do not sign
1513 the certification, the signing appraiser is responsible for the decision to rely on their work.
1514 The signing appraiser(s) is required to have a reasonable basis for believing that those
1515 individuals performing the work are competent. The signing appraiser(s) also must have no
1516 reason to doubt that the work of those individuals is credible.

1517 The names of individuals providing significant mass appraisal assistance who do not sign a
1518 certification must be stated in the certification. It is not required that the description of their
1519 assistance be contained in the certification, but disclosure of their assistance is required in
1520 accordance with Standards Rule 6-8(j).⁵⁰

⁵⁰ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

STANDARD 7

1521 STANDARD 7: PERSONAL PROPERTY APPRAISAL, DEVELOPMENT

1522 In developing a personal property appraisal, an appraiser must identify the problem to be solved,
1523 determine the scope of work necessary to solve the problem, and correctly complete research and
1524 analyses necessary to produce a credible appraisal.

1525 Comment: STANDARD 7 is directed toward the substantive aspects of developing a credible
1526 appraisal of personal property. The requirements set forth in STANDARD 7 follow the
1527 appraisal development process in the order of topics addressed and can be used by appraisers
1528 and the users of appraisal services as a convenient checklist.

1529 Standards Rule 7-1

1530 In developing a personal property appraisal, an appraiser must:

1531 (a) be aware of, understand, and correctly employ those recognized methods and techniques that are
1532 necessary to produce a credible appraisal;

1533 Comment: This Standards Rule recognizes that change continues to affect the manner in
1534 which appraisers perform appraisal services. Changes and developments in personal property
1535 practice have a substantial impact on the appraisal profession. Important changes in the cost
1536 and manner of acquiring, producing, and marketing personal property and changes in the legal
1537 framework in which appraisers perform their assignments result in the need for corresponding
1538 changes in personal property appraisal theory and practice. Social change has also had an
1539 effect on appraisal theory and practice. The appraisal profession responds to changing
1540 circumstances with revised and new appraisal methods and techniques. Therefore, it is not
1541 sufficient for appraisers to maintain the skills and the knowledge they possess when they
1542 become appraisers. Each appraiser must improve and update his or her skills and knowledge
1543 to remain proficient in the appraisal of personal property.

1544 (b) not commit a substantial error of omission or commission that significantly affects an
1545 appraisal; and

1546 Comment: An appraiser must use sufficient care to avoid errors that would significantly affect
1547 his or her opinions and conclusions. Diligence is required to identify and analyze the factors,
1548 conditions, data, and other information that would have a significant effect on the credibility
1549 of the assignment results.

1550 (c) not render appraisal services in a careless or negligent manner, such as by making a series of
1551 errors that, although individually might not significantly affect the results of an appraisal, in the
1552 aggregate affect the credibility of those results.

1553 Comment: Perfection is impossible to attain, and competence does not require perfection.
1554 However, an appraiser must not render appraisal services in a careless or negligent manner.
1555 This Standards Rule requires an appraiser to use due diligence and care.

1556 Standards Rule 7-2

1557 In developing a personal property appraisal, an appraiser must:

1558 (a) identify the client and other intended users;

1559 (b) identify the intended use of the appraiser's opinions and conclusions;

- 1560 Comment: An appraiser must not allow the intended use of an assignment or a client's
1561 objectives to cause the assignment results to be biased.
- 1562 (c) **identify the type and definition of value. If the value opinion to be developed is market value,**
1563 **ascertain whether the value is to be the most probable price:**
- 1564 (i) **in terms of cash; or**
1565 (ii) **in terms of financial arrangements equivalent to cash; or**
1566 (iii) **in other precisely defined terms; and**
1567 (iv) **if the opinion of value is to be based on non-market financing or financing with unusual**
1568 **conditions or incentives, the terms of such financing must be clearly identified and the**
1569 **appraiser's opinion of their contributions to or negative influence on value must be**
1570 **developed by analysis of relevant market data;**
- 1571 Comment: When exposure time is a component of the definition for the value
1572 opinion being developed, the appraiser must also develop an opinion of reasonable
1573 exposure time linked to that value opinion.
- 1574 (d) **identify the effective date of the appraiser's opinions and conclusions;**
- 1575 (e) **identify the characteristics of the property that are relevant to the type and definition of value**
1576 **and intended use of the appraisal, including:**
- 1577 (i) **sufficient characteristics to establish the identity of the item including the method of**
1578 **identification;**
- 1579 (ii) **sufficient characteristics to establish the relative quality of the item (and its component**
1580 **parts, where applicable) within its type;**
- 1581 (iii) **all other physical and economic attributes with a material effect on value;**
- 1582 Comment: Some examples of physical and economic characteristics include
1583 condition, style, size, quality, manufacturer, author, materials, origin, age,
1584 provenance, alterations, restorations, and obsolescence. The type of property, the
1585 type and definition of value, and intended use of the appraisal determine which
1586 characteristics have a material effect on value.
- 1587 (iv) **the ownership interest to be valued;**
- 1588 (v) **any known restrictions, encumbrances, leases, covenants, contracts, declarations, special**
1589 **assessments, ordinances, or other items of a similar nature if relevant to the assignment;**
1590 **and**
- 1591 (vi) **any real property or intangible items that are not personal property but which are**
1592 **included in the appraisal;**
- 1593 Comment on (i)-(vi): The information used by an appraiser to identify the property
1594 characteristics must be from sources the appraiser reasonably believes are reliable.
- 1595 An appraiser may use any combination of a property inspection and documents or
1596 other resources to identify the relevant characteristics of the subject property.
- 1597 When appraising proposed modifications, an appraiser must examine and have
1598 available for future examination, documentation sufficient to identify the extent and
1599 character of the proposed modifications.

STANDARD 7

1600 An appraiser may not be required to value the whole when the subject of the
1601 appraisal is a fractional interest, a physical segment, or a partial holding.

1602 (f) **identify any extraordinary assumptions necessary in the assignment;**

1603 Comment: An extraordinary assumption may be used in an assignment only if:

- 1604 • it is required to properly develop credible opinions and conclusions;
- 1605 • the appraiser has a reasonable basis for the extraordinary assumption;
- 1606 • use of the extraordinary assumption results in a credible analysis; and
- 1607 • the appraiser complies with the disclosure requirements set forth in USPAP for
1608 extraordinary assumptions.

1609 (g) **identify any hypothetical conditions necessary in the assignment; and**

1610 Comment: A hypothetical condition may be used in an assignment only if:

- 1611 • use of the hypothetical condition is clearly required for legal purposes, for purposes
1612 of reasonable analysis, or for purposes of comparison;
- 1613 • use of the hypothetical condition results in a credible analysis; and
- 1614 • the appraiser complies with the disclosure requirements set forth in USPAP for
1615 hypothetical conditions.

1616 (h) **determine the scope of work necessary to produce credible assignment results in accordance with**
1617 **the SCOPE OF WORK RULE.**

1618 Standard Rule 7-3

1619 **In developing a personal property appraisal, when necessary for credible assignment results, an**
1620 **appraiser must:**

1621 (a) **analyze the property's current use and alternative uses as relevant to the type and definition of**
1622 **value and intended use of the appraisal;**

1623 Comment: In the context of personal property, value can be a function of the choice of the
1624 appropriate market or, in some cases, market level for the type of item, the type and definition
1625 of value, and the intended use of the appraisal.

1626 The appraiser must consider the various uses of the property when viable alternative uses
1627 exist and when those alternative uses may result in a different value.

1628 (b) **define and analyze the appropriate market consistent with the type and definition of value; and**

1629 Comment: The appraiser must recognize that there are distinct levels of trade (measurable
1630 marketplaces) and each may generate its own data. For example, a property may have a
1631 different value at a wholesale level of trade, retail level of trade, or under various auction
1632 conditions. Therefore, the appraiser must analyze the subject property within the correct
1633 market context.

1634 (c) **analyze the relevant economic conditions that exist on the effective date of the valuation,**
1635 **including market acceptability of the property and supply, demand, scarcity or rarity.**

1636 Standards Rule 7-4

1637 **In developing a personal property appraisal, an appraiser must collect, verify, and analyze all**
1638 **information necessary for credible assignment results.**

- 1639 (a) When a sales comparison approach is necessary for credible assignment results, an appraiser
1640 must analyze such comparable sales data as are available to indicate a value conclusion.
- 1641 (b) When a cost approach is necessary for credible assignment results, an appraiser must:
- 1642 (i) analyze such comparable cost data as are available to estimate the cost new of the
1643 property; and
- 1644 (ii) analyze such comparable data as are available to estimate the difference between cost
1645 new and the present worth of the property (accrued depreciation).
- 1646 (c) When an income approach is necessary for credible assignment results, an appraiser must:
- 1647 (i) analyze such comparable data as are available to estimate the market income of the
1648 property;
- 1649 (ii) analyze such comparable operating expense data as are available to estimate the
1650 operating expenses of the property;
- 1651 (iii) analyze such comparable data as are available to estimate rates of capitalization and/or
1652 rates of discount; and
- 1653 (iv) base projections of future income and expenses on reasonably clear and appropriate
1654 evidence.
- 1655 Comment: An appraiser must, in developing income and expense statements and
1656 cash flow projections, weigh historical information and trends, current supply and
1657 demand factors affecting such trends, and competition.
- 1658 (d) When developing an opinion of the value of a lease, leased, or encumbered property, an
1659 appraiser must analyze the effect on value, if any, of the terms and conditions of the lease(s) or
1660 encumbrances.
- 1661 (e) When appraising multiple objects, the appraiser must consider the significance of the value of
1662 the individual assets to the assignment results. Those objects which are more significant to the
1663 assignment results should be the focus of the analysis and analyzed in appropriate detail.
- 1664 Comment: A group of objects may have a mix of high and low value items. Those objects
1665 that are more significant to the assignment results should be subject to a greater and
1666 appropriate depth of analysis.
- 1667 (f) When analyzing the assemblage of the various component parts of a property, an appraiser must
1668 analyze the effect on value, if any, of the assemblage. An appraiser must refrain from valuing the
1669 whole solely by adding together the individual values of the various component parts.
- 1670 Comment: Although the value of the whole may be equal to the sum of the separate parts, it
1671 also may be greater than or less than the sum of such parts. Therefore, the value of the whole
1672 must be tested by reference to appropriate data and supported by an appropriate analysis of
1673 such data.
- 1674 A similar procedure must be followed when the value of the whole has been established and
1675 the appraiser seeks to value a part. The value of any such part must be tested by reference to
1676 appropriate data and supported by an appropriate analysis of such data.
- 1677 (g) When analyzing anticipated modifications to the subject property, an appraiser must analyze the
1678 effect on value, if any, of such modifications to the extent they are reflected in market actions.
- 1679 (h) When real property or intangible items are included in the appraisal, the appraiser must analyze
1680 the effect on value of such non-personal property items.

1703 **STANDARD 8: PERSONAL PROPERTY APPRAISAL, REPORTING**

1704 **In reporting the results of a personal property appraisal, an appraiser must communicate each analysis,**
 1705 **opinion, and conclusion in a manner that is not misleading.**

1706 Comment: STANDARD 8 addresses the content and level of information required in a report
 1707 that communicates the results of a personal property appraisal.

1708 STANDARD 8 does not dictate the form, format, or style of personal property appraisal
 1709 reports, which are functions of the needs of intended users and appraisers. The substantive
 1710 content of a report determines its compliance.

1711 **Standards Rule 8-1**

1712 **Each written or oral personal property appraisal report must:**

- 1713 (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;
- 1714 (b) contain sufficient information to enable the intended users of the appraisal to understand the
 1715 report properly; and
- 1716 (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical
 1717 conditions, and limiting conditions used in the assignment.

1718 **Standards Rule 8-2**

1719 **Each written personal property appraisal report must be prepared under one of the following options**
 1720 **and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.⁵²**

1721 Comment: When the intended users include parties other than the client, an Appraisal
 1722 Report must be provided. When the intended users do not include parties other than the
 1723 client, a Restricted Appraisal Report may be provided.

1724 The essential difference between these two options is in the content and level of information
 1725 provided. The appropriate reporting option and the level of information necessary in the
 1726 report are dependent on the intended use and intended users.

1727 An appraiser must use care when characterizing the type of report and level of information
 1728 communicated upon completion of an assignment. An appraiser may use any other label in
 1729 addition to, but not in place of, the label set forth in this Standard for the type of report
 1730 provided.

1731 The report content and level of information requirements set forth in this Standard are
 1732 minimums for each type of report. An appraiser must supplement a report form, when
 1733 necessary, to ensure that any intended user of the appraisal is not misled and that the report
 1734 complies with the applicable content requirements set forth in this Standards Rule.

1735 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order to
 1736 satisfy disclosure requirements does not become an intended user of the appraisal unless the
 1737 appraiser identifies such party as an intended user as part of the assignment.

⁵² See Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2* and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*.

STANDARD 8

1738 (a) The content of an Appraisal Report must be consistent with the intended use of the appraisal
1739 and, at a minimum:

1740 (i) state the identity of the client and any intended users, by name or type;⁵³

1741 Comment: An appraiser must use care when identifying the client to ensure a clear
1742 understanding and to avoid violations of the Confidentiality section of the ETHICS
1743 RULE. In those rare instances where the client wishes to remain anonymous, an
1744 appraiser must still document the identity of the client in the workfile but may omit
1745 the client's identity in the report.

1746 (ii) state the intended use of the appraisal;⁵⁴

1747 (iii) summarize information sufficient to identify the property involved in the appraisal,
1748 including the physical and economic property characteristics relevant to the assignment;

1749 (iv) state the property interest appraised;

1750 (v) state the type and definition of value and cite the source of the definition;

1751 Comment: Stating the definition of value also requires any comments needed to
1752 clearly indicate to the intended users how the definition is being applied.

1753 When reporting an opinion of market value, state whether the opinion of value is:

- 1754 • in terms of cash or of financing terms equivalent to cash, or
1755 • based on non-market financing or financing with unusual conditions or
1756 incentives.

1757 When an opinion of market value is not in terms of cash or based on financing terms
1758 equivalent to cash, summarize the terms of such financing and explain their
1759 contributions to or negative influence on value.

1760 When an opinion of reasonable exposure time has been developed in compliance
1761 with Standards Rule 7-2(c), the opinion must be stated in the report.⁵⁵

1762 (vi) state the effective date of the appraisal and the date of the report;⁵⁶

1763 Comment: The effective date of the appraisal establishes the context for the value
1764 opinion, while the date of the report indicates whether the perspective of the
1765 appraiser on the market and property as of the effective date of the appraisal was
1766 prospective, current, or retrospective.

1767 (vii) summarize the scope of work used to develop the appraisal;⁵⁷

⁵³ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

⁵⁴ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

⁵⁵ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*.

⁵⁶ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

STANDARD 8

- 1768 Comment: Because intended users' reliance on an appraisal may be affected by the
1769 scope of work, the report must enable them to be properly informed and not misled.
1770 Sufficient information includes disclosure of research and analyses performed and
1771 might also include disclosure of research and analyses not performed.
- 1772 When any portion of the work involves significant personal property appraisal
1773 assistance, the appraiser must summarize the extent of that assistance. The name(s)
1774 of those providing the significant personal property appraisal assistance must be
1775 stated in the certification, in accordance with Standards Rule 8-3.⁵⁸
- 1776 (viii) **summarize the information analyzed, the appraisal methods and techniques employed,**
1777 **and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the**
1778 **sales comparison approach, cost approach, or income approach must be explained;**⁵⁹
- 1779 Comment: An Appraisal Report must include sufficient information to indicate that
1780 the appraiser complied with the requirements of STANDARD 7. The amount of
1781 detail required will vary with the significance of the information to the appraisal and
1782 with the significance of a particular object or group of objects to the overall
1783 assignment results.
- 1784 The appraiser must provide sufficient information to enable the client and intended
1785 users to understand the rationale for the opinion and conclusions, including
1786 reconciliation of the data and approaches, in accordance with Standards Rule 7-6.
- 1787 When reporting an opinion of market value, a summary of the results of the analysis
1788 of the subject sales, offers, options, and listings in accordance with Standards Rule 7-
1789 5 is necessary. If such information was unobtainable, a statement on the efforts
1790 undertaken by the appraiser to obtain the information is required. If such information
1791 is irrelevant, a statement acknowledging the existence of the information and citing
1792 its lack of relevance is required.
- 1793 (ix) **state, as appropriate to the class of personal property involved, the use of the property**
1794 **existing as of the date of value and the use of the property reflected in the appraisal;**
- 1795 Comment: In the context of personal property, value can be a function of the current
1796 and alternative use of the subject property, the choice of the appropriate market or
1797 market level for the type of item, the type and definition of value, and intended use
1798 of the report.
- 1799 (x) **when an opinion of the appropriate market or market level was developed by the**
1800 **appraiser, summarize the support and rationale for that opinion;**
- 1801 (xi) **clearly and conspicuously:**
- 1802 • **state all extraordinary assumptions and hypothetical conditions; and**
1803 • **state that their use might have affected the assignment results; and**
- 1804 (xii) **include a signed certification in accordance with Standards Rule 8-3.**

⁵⁷ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁵⁸ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

⁵⁹ See Advisory Opinion 2, *Inspection of Subject Property*.